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LEGISLATURE OF THE STATE OF IDAHO
Fifty-eighth Legislature First Regular Session - 2004

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO.

BY

AN ACT

RELATING TO THE IDAHO ENDOWMENT FUND INVESTMENT BOARD;
AMENDING SECTION 57-720, IDAHO CODE, TO AUTHORIZE THE
COMBINATION OF ENDOWMENT FUNDS FOR INVESTMENT PURPOSES
AND TO CLARIFY THAT THE BOARD SHALL CREATE INVESTMENT
POLICIES.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 57-720, Idaho Code, be, and the same is hereby amended
to read as follows:

57-720. Permanent endowment funds -- Earnings reserve funds -- Income funds
-- Investment policyies ~~regulations~~ -- Annual audit.

(1) The investment board or its investment manager(s) may, and are hereby
authorized to, invest the permanent endowment funds and the earnings reserve funds of
the state of Idaho.

(2) The permanent endowment funds and the earnings reserve funds may be
combined or pooled for investment.

(3) Earnings reserve funds shall be accounted for separately from permanent
endowment funds.

(4) Gains and losses as defined in section 57-724, Idaho Code, shall be annually
allocated between the permanent endowment funds and the earnings reserve funds at the
end of each fiscal year. This allocation shall be made based upon the proportion that the
market value of the permanent endowment funds and the market value of the earnings
reserve funds bear to the combined market value of both sets of funds, at the end of the
fiscal year.

(5) The investment board shall formulate investment ~~policyies~~ ~~regulations~~ governing the investment of permanent endowment funds and earnings reserve funds. The ~~regulations~~policies shall pertain to the types, kinds or nature of investment of any of the funds, and any limitations, conditions or restrictions upon the methods, practices or procedures for investment, reinvestments, purchases, sales or exchange transactions, provided such ~~regulations~~policies shall not conflict with nor be in derogation of any Idaho constitutional provision or of the provisions of this act.

(6) Annually, the investment board shall cause an audit to be conducted of the investment of permanent endowment funds and earnings reserve funds, such audit to be conducted by a recognized certified public accountant. The certified public accountant conducting the audit shall not be an employee of the state. The expense of such audit shall be paid from the appropriation to the investment board.

(7) The state treasurer shall invest the income funds of the respective endowments and distribute the moneys in the income funds according to legislative appropriation.

STATEMENT OF PURPOSE

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The combination of funds allows the board to reduce fees incurred in the investment of endowment funds. The board believes that it may be advantageous to make combinations of funds as it invests in new markets. For example, the board may receive reduced fee rates or eliminate a duplication of fees if it combines the public school funds with the higher education funds in a foreign equity investment. Outside investment managers have requested clarification of the authority for such combinations. This legislation provides such clarification. This legislation further provides technical changes clarifying that the board shall formulate investment policies and that such policies are not to be promulgated as rules.

FISCAL IMPACT

There will be no fiscal impact on the general fund.

CONTACT

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